

M e m o r a n d u m

Date: February 27, 2009

To: Office of the Commissioner
Attention: Commissioner J. A. Farrow

From: **DEPARTMENT OF CALIFORNIA HIGHWAY PATROL**
Office of Assistant Commissioner, Inspector General

File No.: 005.9968.A14728.010

Subject: FOLLOW-UP REVIEW OF THE PERSONNEL AND PAYROLL CYCLE

On June 8, 2007, the Office of the Commissioner directed the Office of Internal Affairs, Audits and Evaluation Unit, (reorganized under Office of Inspections, Audits Unit) to perform an audit of the California Highway Patrol's (Department) internal control systems. This request was initiated pursuant to the Financial Integrity and State Manager's Accountability (FISMA) Act of 1983, the provisions of which are stated in Government Code Sections 13400 through 13407. The audit scope period covered fiscal year (FY) 2005/06 and FY 2006/07. However, primary testing was conducted during the later FY to provide a current evaluation of internal controls.

Based on the audit of the Department's accounting and administrative controls, the audit revealed the Department has multiple internal controls in place to safeguard state assets. However, although the controls are adequate, weaknesses were observed. The results of the audit were discussed in the 2007 Evaluation of Internal Accounting and Administrative Control Systems Final Report (FISMA final report).

A follow-up review was conducted from August 8-18, 2008. The objective of this follow-up review was to determine if the Department has implemented the corrective action as indicated in their response to the 2007 FISMA final report as it pertains to the Personnel and Payroll Cycle. The follow-up review focused on available documentation to evaluate the progress.

It should be noted that the Department has implemented the corrective action identified in the final report of the 2007 FISMA's Personnel and Payroll Cycle. The Office of Inspections validated the corrective work would adequately address the weakness. Hence, this review indicates successful completion of all required activity. Since corrective action has been taken on the recommendation, this report represents the close-out of the 2007 FISMA's Personnel and Payroll Cycle.

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We appreciate the courtesy, cooperation, and assistance extended to Office of Inspections by the Personnel Services Section. If you have any questions, please contact Roger Ikemoto, Senior Management Auditor at (916) 451-8405.


M. C. A. SANTIAGO
Assistant Commissioner

Attachment

cc: Office of the Assistant Commissioner, Staff
Administrative Services Division
Office of Inspections, Commander
Office of Inspections, Audits Unit

PERSONNEL AND PAYROLL AUDIT FOLLOW-UP
AUGUST 2008

On June 8, 2007, the Office of the Commissioner directed the Office of Internal Affairs, Audits and Evaluation Unit, (reorganized under Office of Inspections, Audits Unit) to perform an audit of the California Highway Patrol's (Department) internal control systems. This request was initiated pursuant to the Financial Integrity and State Manager's Accountability (FISMA) Act of 1983, the provisions of which are stated in Government Code Sections 13400 through 13407. The audit scope period covered fiscal year (FY) 2005/06 and FY 2006/07. However, primary testing was conducted during the later FY to provide a current evaluation of internal controls.

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The objective of this follow-up review was to determine if the Department has implemented the corrective action as indicated in their response to the 2007 FISMA final report as it pertains to the Personnel and Payroll Cycle. The follow-up review focused on available documentation to evaluate the progress. This follow-up review was conducted from August 8, 2008, through August 18, 2008.

The review consisted of assessing the corrective actions completed, as documented in the response memorandum. The Office of Inspections, Audits Unit reviewed:

- Current Personnel/Payroll Document Signature Card Authorization obtained from the State Controller's Office.
- Personnel/Payroll Document Signature Card Authorization obtained from the Personnel Services Section (PSS).
- Sample of Signature Authorization Personnel/Payroll Documents obtained from the PSS.
- Supporting documents such as copies of State Administrative Manual (SAM).
- Interviews and discussions held with the PSS staff.

FINDING 1: **The Department does not periodically reconcile their personnel/payroll authorization records with the personnel/payroll authorization list maintained by the Office of the State Controller.**

Condition: In comparing the Department's signature authorization personnel/payroll documents to the list maintained by the Office of the State Controller (SCO), several administrative errors were found which revealed the Department does not periodically reconcile these records.

Criteria: Government Code Section 13403(a)(6) states the elements of a satisfactory system of internal accounting and administrative control, shall include, but are not limited to, an effective system of internal review.

SAM Section 8539 states the original copy of the completed Time and Attendance Report form, STD. 672, required by SCO and maintained at the agency, will be signed only by those authorized per the signature on file at SCO. Lists of those persons authorized to approve attendance documents supporting form STD. 672 will be maintained in agency human resources offices.

Recommendation: Recommend the Department periodically reconcile their personnel/payroll authorization list with SCO's personnel/payroll authorization list.

Auditee Response: PSS is responsible for submitting documents to the SCO to add or delete PSS and Financial Management Section (FMS) employees who have personnel/payroll authorization. Timely notification is not always received from FMS of employees no longer authorized to access the SCO systems.

The personnel/payroll authorization records have been updated by PSS. Procedures will be developed by PSS which will require FMS to submit documents within specific timeframes to delete employees who no longer have authorization to use the SCO system. The list will be audited quarterly by PSS to ensure that the list of employees requiring use of the SCO system reconciles to the SCO's personnel/payroll authorization list.

Auditor's Conclusion: Fully Implemented.

The Department implemented corrective actions identified in the final report of the 2007 FISMA's Personnel and Payroll Cycle. As part of the follow-up review, the Office of Inspections held discussions with the parties involved concerning the specific actions taken to implement recommendations from the initial audit. This was supplemented by an examination of records.

A review of the documents disclosed the Department implemented corrective actions. The Office of Inspections validated the corrective work adequately addressed the weakness. Hence, this review indicates successful completion of all required activities. Since corrective actions have been taken on the recommendation, this report represents the close-out of the 2007 FISMA's Personnel and Payroll Cycle. We are pleased to report the PSS has taken necessary actions to adequately resolve the finding identified in the original FISMA audit.